



# Activity Review

## North Carolina State Board of Certified Public Accountant Examiners

1101 Oberlin Road, Suite 104 • PO Box 12827 • Raleigh, NC 27605 • (919) 733-4222 • No. 5-2003

## Results of the Rule-Making Process

On October 18, 2002, the North Carolina State Board of CPA Examiners held a public rule-making hearing to amend the North Carolina Accountancy Rules.

Subsequent to review and approval by the General Assembly, the Office of Administrative Hearings entered the amended rules into the North Carolina Administrative Code (NCAC).

A portion of the amended rules were effective April 1, 2003, while the remaining amendments are effective January 1, 2004.

The rules that were effective April 1, 2003, are printed in this issue of the *Activity Review*; the rules that are effective January 1, 2004, will be published in a later issue.

The full text of the amended rules is available for review on the Board's web site ([www.state.nc.us/cpabd](http://www.state.nc.us/cpabd)) and the complete rules can be printed from the web site.

If you have any questions regarding the amended rules, please contact Robert N. Brooks, the Board's Executive Director, by telephone at (919) 733-1425 or via e-mail at [rnbrooks@bellsouth.net](mailto:rnbrooks@bellsouth.net).

The amended rules effective April 1, 2003, read as follows:

### **21 NCAC 08A .0201 ELECTION OF OFFICERS**

The Board shall annually, prior to March 31 of each year, elect a President, Vice-President and Secretary-Treasurer.

### **21 NCAC 08F .0111 INELIGIBILITY DUE TO VIOLATION OF ACCOUNTANCY ACT**

(a) A person may not be eligible to take the CPA examination or receive the North Carolina certificate of qualification as a CPA if the Board determines that the person has engaged in conduct that would constitute a violation of G.S. 93 or the Rules of Professional Ethics and Conduct.

(b) Any individual found to have engaged in conduct which subverts, or attempts to subvert the CPA Examination process may have his or her scores on the examination withheld and declared invalid, be disqualified from holding the CPA certification and may be subject to the imposition of other appropriate sanctions.

(c) Conduct which subverts or attempts to subvert the examination process includes but is not limited to:

- (1) conduct which violates the standard of the test administration such as communicating with any other examinee during the administration of the examination;
- (2) having in one's possession during the administration of the examination any books, notes, written or printed material, or data of any other kind, other than the distributed examination materials;
- (3) failure to cooperate with testing officials;
- (4) conduct which violates the credentialing process, such as falsifying

or misrepresenting educational credentials or other information required for admission to the examination, impersonating an examinee, or having an impersonator take the examination on another's behalf;

(5) conduct which violates the nondisclosure prohibitions of the examination or aiding or abetting another in doing so; and

(6) retaking or attempting to retake an examination section by an individual holding a valid CPA certificate in this State or a candidate who has unexpired credit for having already passed the same examination section unless directed to do so by the Board.

#### **Rules**

*continued on page 3*

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# Disciplinary Actions

**John Michael Pentz #22669**  
**Oak Ridge, NC 03/26/03**

*THIS CAUSE*, coming before the Board at its offices at 1101 Oberlin Road, Raleigh, Wake County, North Carolina, with a quorum present. Pursuant to NCGS 150B-41 and 150B-22, the Board and Respondent stipulate the following Findings:

1. Respondent is the holder of North Carolina certificate number 22669 as a Certified Public Accountant.
2. In October of 1994, Respondent registered with the Board as an individual practitioner and informed the Board on his firm registration that his firm had issued reviews during the previous twelve (12) months.
3. Based on the information provided on Respondent's firm registration, Board records reflected that Respondent's firm's peer review deadline was October 6, 1996.
4. In November of 1994, Board staff sent a firm renewal to Respondent's firm's last known address which included a notation that Respondent's firm's peer review deadline was October 6, 1996.
5. In December of 1994, Respondent filed his 1995 firm renewal which informed the Board that his firm had only issued compilations during the previous twelve (12) months.
6. In May of 1995, Board staff sent a memorandum to Respondent's firm's last known address reminding Respondent that his firm's peer review deadline was October 6, 1996.
7. In a letter dated August 16, 1995, Respondent informed the Board that he had not provided the anticipated compilation and review services as noted on his firm registration and renewal. In this letter, Respondent also acknowledged his understanding that he would be required to obtain a peer review within "eighteen (18) months" of accepting "an audit, review, or compilation engagement."
8. On his firm's 1996 through 2002 firm renewal, Respondent did not indicate

that his firm was providing any attest services to clients.

9. Sometime in 1997, Respondent began providing attest services to clients.

10. However, Respondent did not change his firm's registration with the Board or register to participate in a Board-approved peer review program.

11. In a letter dated September 25, 2002, Respondent self-reported that his firm was no longer exempt from participating in a peer review program and had been providing such services beginning sometime in 1997.

12. Respondent registered with the American Institute of CPAs for its peer review program and the exit conference for the peer review was on December 23, 2002.

13. Respondent wishes to resolve this matter by consent and agrees that the Board staff and counsel may discuss this Order with the Board *ex parte*, whether or not the Board accepts this Order as written.

*BASED UPON THE FOREGOING*, the Board makes the following Conclusions of Law:

1. Respondent is subject to the provisions of Chapter 93 of the North Carolina General Statutes (NCGS) and Title 21, Chapter 8 of the North Carolina Administrative Code (NCAC), including the Rules of Professional Ethics and Conduct promulgated and adopted therein by the Board.
2. Respondent's actions as set out above constitute violations of NCGS 93-12(8c), and NCGS 93-12(9)e and 21 NCAC 8J .0108(c)(1) and (2), 8M .0102, 8N .0202(b)(3), 8N .0209, and 8N .0403.

*BASED ON THE FOREGOING* and in lieu of further proceedings under 21 NCAC Chapter 8C, the Board and Respondent agree to the following Order:

1. Respondent is censured.
2. Respondent's certificate is suspended for thirty (30) days; however, said suspension is stayed.

3. Respondent shall provide the Board with copies of the peer review report, letter of comments, letter of response, and letter of acceptance for the peer review which had the exit conference on December 23, 2002, as noted in Finding #12.

## Reclassifications

### Reinstatements

**04/28/03**

Tammy René Albright-Coreil,  
#23623  
Carla Jean Jackson Hughey,  
#16251  
Otis Wayne Hurd, #12008  
Lenward Wesley Jones, III  
#25986  
Edward J. Lang, #11688  
Jody Ross Snyder, #20784

### Retired

"Retired," when used to refer to the status of a person, describes one possessing a North Carolina certificate of qualification who verifies to the Board that the applicant does not receive or intend to receive in the future any earned compensation for current personal services in any job whatsoever and will not return to active status [21 NCAC 8A .0301(b)(23)].

**04/28/03**

John F. Anderson  
Fayetteville, NC  
Mary Elizabeth Back  
Chapel Hill, NC  
Dorcas E. Berg  
North Myrtle Beach, SC  
Kerner Eugene Frauenheim, II  
Charlotte, NC

## Board Meetings

Monday, June 23  
Monday, July 21  
Monday, August 25  
Monday, September 22  
Monday, October 20  
Monday, November 24  
Friday, December 19

## **21 NCAC 08F .0504 CANDIDATES' ACCOUNTANCY LAW COURSE REQUIREMENT**

(a) Within one year prior to applying for certification, all candidates for original or reciprocal certification must pass an open book examination on the North Carolina Accountancy Statutes and Rules, including the Rules of Professional Ethics and Conduct contained therein.

(b) In lieu of taking the examination, a candidate may complete an eight-hour CPE course on the subject of the examination within one year prior to applying for the CPA certificate. Such course or examination must meet the requirements of 21 NCAC 08G .0404(a). This course may count toward the candidate's annual CPE requirement.

## **21 NCAC 08H .0101 RECIPROCAL CERTIFICATES**

(a) A person from another jurisdiction who desires to offer or render professional services as a CPA to his or her employer or a client in this state shall meet all the requirements imposed on an applicant under G.S. 93-12(5) or the requirements of G.S. 93-12(6).

(b) The fee for a reciprocal certificate shall be the maximum amount allowed by G.S. 93-12(7a).

(c) An applicant for a reciprocal certificate shall meet the following requirements:

(1) The applicant has the legal authority to use the CPA title and to practice public accountancy in a jurisdiction.

(2) The applicant has received a passing score on each part of the Uniform CPA Examination.

(d) An applicant applying for a reciprocal certificate under G.S. 93-12(6) must also meet the following requirements which the Board considers to be substantially equivalent to those of G.S. 93-12(5):

(1) The applicant shall have 150 semester hours of college or university education including a bachelors or higher degree with a concentration in accounting and one year of experience in the field of accounting verified by a certified

public accountant who was the applicant's direct supervisor and otherwise comply with 21 NCAC 08F .0410; or  
(2) The applicant:

(A) within 10 years immediately preceding the filing date of the application, has had two years of experience in the field of accounting under the direct supervision of a CPA who held a valid license during the period of direct supervision in any state or territory of the United States or the District of Columbia; or

(B) has eight years of experience in the field of accounting, or eight years of experience teaching accounting as defined and calculated in 21 NCAC 08F .0409, or any combination of such experience earned within the 12 years immediately preceding the filing date of the application; and

(3) During the two years preceding the applicant's filing date for a reciprocal certificate, the applicant has completed 80 hours of CPE in courses meeting the requirements of 21 NCAC 08G .0401(a). However, an applicant who received his or her initial CPA license within four years from the filing date of the application for a reciprocal certificate is exempt from this CPE requirement.

(e) An applicant for change in status, reissuance, or reinstatement of a reciprocal certificate that was inactive, forfeited, or retired more than 10 years before the date of reapplication, must comply with all current requirements for a reciprocal certificate.

## **21 NCAC 08H .0106 NON-RESIDENT NOTIFICATION**

(a) An individual whose principal place of business is outside this State must notify the Board that he or she intends to perform or offers to perform services in this State as a CPA no later than 30 days after the intent to perform or offer to perform services. Such notification shall be made on a form supplied by the Board.

(b) Notification to the Board shall be valid until December 31 of each year at which time the individual must renew his or her notification by January 31 or his or her privilege to perform or offer to perform services in this state as a CPA is terminated.

## **21 NCAC 08N .0205 CONFIDENTIALITY**

(a) Nondisclosure. A CPA shall not disclose any confidential information obtained in the course of employment or a professional engagement except with the consent of the employer or client.

(b) Exceptions. This Rule shall not be construed:

(1) to relieve a CPA of any report obligations pertaining to Section .0400 of this Subchapter; or

(2) to affect in any way the CPA's compliance with a validly issued subpoena or summons enforceable by this Board or by order of a court; or

(3) to preclude the CPA from responding to any inquiry made by the AICPA Ethics Division or Trial Board, by a duly constituted investigative or disciplinary body of a state CPA society, or under state statutes; or

(4) to preclude the disclosure of confidential client information necessary for the peer review process or for any quality review program; or

(5) to preclude the CPA from assisting the Board in enforcing the accountancy statutes and rules.

## **21 NCAC 08N .0208 REPORTING CONVICTIONS, JUDGMENTS, AND DISCIPLINARY ACTIONS**

(a) Criminal Actions. A CPA shall notify the Board within 30 days of any conviction or finding of guilt of, or pleading of *nolo contendere* to any criminal offense.

(b) Civil Actions. A CPA shall notify the Board within 30 days of any judgment or settlement in a civil suit, bankruptcy action, administrative proceeding, or binding arbitration, the basis of which is grounded upon an allegation of professional negligence, gross negligence, dishonesty, fraud, misrepresentation, incompetence, or violation of any federal or state tax law and which was brought against either the CPA or a North Carolina office of a CPA firm of which the CPA was a managing partner.



## **21 NCAC 08N .0211 RESPONSIBILITIES IN TAX PRACTICE**

(a) Standards for Tax Services. A CPA shall not render services in the area of taxation unless the CPA has complied with the standards for tax services.

(b) Statements on Standards for Tax Services. The Statements on Standards for Tax Services issued by the AICPA, including subsequent amendments and editions, are hereby incorporated by reference, as provided by G.S. 150B-21.6, and shall be considered as the standards for tax services for the purposes of Paragraph (a) of this Rule.

(c) Departures. Departures from the statements listed in Paragraph (b) of this Rule must be justified by those who do not follow them.

(d) Copies of Standards. Copies of the Statements on Standards for Tax Services may be inspected in the offices of the Board, as described in 21 NCAC 08A .0102. Copies may be obtained from the AICPA, 1211 Avenue of the Americas, New York, NY 10036 as part of the "AICPA Professional Standards." They are available at cost, which is approximately twenty-eight dollars (\$28.00) in paperback form or two hundred dollars (\$200.00) in loose leaf subscription form.

## **21 NCAC 08N .0302 FORMS OF PRACTICE**

(a) Authorized Forms of Practice. A CPA who uses CPA in or with the name of the business or offers or renders attest services in the public practice of accountancy to clients shall do so only through a registered sole proprietorship, partnership, Professional Corporation, Professional Limited Liability Company, or Registered Limited Liability Partnership.

(b) Authorized Ownership. A CPA firm may have a ownership of up to 49 percent by non-CPAs. A CPA firm shall have ownership of at least 51 percent and be controlled in law and fact by holders of valid CPA certificates who have the unrestricted privilege to use the CPA title and to practice public accountancy in a jurisdiction and at least

one whom shall be licensed by this Board.

(c) CPA Firm Registration Required. A CPA shall not offer or render professional services through a CPA firm which is in violation of the registration requirements of 21 NCAC 08J .0108, 08J .0110, or 08M .0101.

(d) Supervision of CPA Firms. Every North Carolina office of a CPA firm registered in North Carolina shall be actively and locally supervised by a designated actively licensed North Carolina CPA whose primary responsibility and a corresponding amount of time shall be work performed in that office.

(e) CPA Firm Requirements for Non-CPA Ownership. A CPA firm and its designated supervising CPA partner shall be held accountable for the following in regard to a non-CPA owner:

(1) a non-CPA owner shall be a natural person or a general partnership or limited liability partnership directly owned by natural persons;

(2) a non-CPA owner shall actively participate in the business of the firm or an affiliated entity as his or her principal occupation;

(3) a non-CPA owner shall comply with all applicable accountancy statutes and the administrative code;

(4) a non-CPA owner shall be of good moral character and shall be dismissed and disqualified from ownership for any conduct that, if committed by a licensee, would result in a discipline pursuant to G.S. 93-12(9);

(5) a non-CPA owner shall report their name, address, phone number, and social security number, and or Federal Tax ID number on the CPA firm's registration; and

(6) a non-CPA owner's name may not be used in the name of the CPA firm or held out to clients or the public that implies the non-CPA owner is a CPA.

## **21 NCAC 08N .0305 RETENTION OF CLIENT RECORDS**

(a) Return upon Demand. A CPA must return client records in his or her possession to the client after a demand is made for their return. If the client is a partnership, records shall be returned

upon request to any of its general partners. If the client is a limited partnership or a registered limited liability partnership, records shall be returned upon request to the general partner(s) and the managing partner or his or her designated individual respectively. If the client is a corporation, records shall be returned upon request to its president. If the client is a limited liability company, records shall be returned upon request to the manager. Joint records shall be returned upon request to any party. The records must be returned immediately upon demand unless circumstances make some delay reasonable in order to retrieve a closed file or to extract the CPA's work papers described in Paragraph (e) of this Rule. If the records cannot be returned immediately upon demand, the CPA shall immediately notify the client of the date the records will be returned. Nothing in this Rule shall be interpreted to require a CPA to pay delivery costs when the records are returned to the client.

(b) Return of Original Records. If the engagement is terminated prior to completion or the CPA's work product has neither been received nor paid for by the client, the CPA is only required to return those records originally given to the CPA by the client.

(c) Retention to Force Payment. A CPA shall not retain a client's records in order to force payment of any kind.

(d) Work Papers Included in Client Records. Work papers are usually the CPA's property and need not be surrendered to the client. However, in some instances work papers will contain data which should properly be reflected in the client's books and records but for convenience have not been duplicated therein with the result that the client's records are incomplete. In such instances, the portion of the work papers containing such data constitutes part of the client's records, and copies shall be given to the client along with the rest of the client's records. Work papers considered part of the client's records include but are not limited to:

(1) Worksheets in lieu of original entry (e.g., listings and distributions of cash

receipts or cash disbursements on columnar work paper);

(2) Worksheets in lieu of general ledger or subsidiary ledgers, such as accounts receivable, job cost and equipment ledgers, or similar types of depreciation records;

(3) All adjusting and closing journal entries and supporting details not fully set forth in the journal entry; and

(4) Consolidating or combining journal entries and worksheets and supporting detail used in arriving at final figures incorporated in an end product such as financial statements or tax returns.

(e) **Work Papers Belonging to the CPA.** Work papers developed by the CPA incident to the performance of an engagement which do not result in changes to the client's records, or are not in themselves part of the records ordinarily maintained by such clients, are solely the CPA's work papers and are not the property of the client. For example, the CPA may make extensive analyses of inventory or other accounts as part of the selective audit procedures. These analyses are considered to be a part of the CPA's work papers, even if the analyses have been prepared by client personnel at the request of the CPA. Only to the extent these analyses result in changes to the client's records would the CPA be required to furnish the details from the work papers in support of the journal entries recording the changes, unless the journal entries themselves contain all necessary details.

(f) **Reasonable Fees for Copies.** Nothing in this Rule shall be construed to require the CPA to furnish a client with copies of the client's records already in the client's possession. However, if the client asserts that such records have been lost, or are otherwise not in the client's possession, the CPA shall furnish copies of the records for a fee.

#### **21 NCAC 08N .0402 INDEPENDENCE**

(a) A CPA, or the CPA's firm, who is performing an engagement in which the CPA, or the CPA's firm, will issue a report on financial statements of any client (other than a report in which lack of independence is disclosed) must be

independent with respect to the client in fact and appearance.

(b) Independence shall be considered to be impaired if, during the period of the professional engagement, a covered person:

(1) had or was committed to acquire any direct or material indirect financial interest in the client;

(2) was a trustee of any trust or executor or administrator of any estate that had or was committed to acquire any direct or material indirect financial interest in the client; and

(A) The covered person had the authority to make investment decisions for the trust or estate; or

(B) The trust or estate owned more than 10 percent of the client's outstanding equity securities or other ownership interests or the value of the trust's or estate's holdings in the client exceeded 10 percent of the total assets of the trust or estate;

(3) had a joint or closely held investment that was material to the covered person; or

(4) had any loan to or from the client or any officer or director of the client, or any individual owning 10 percent or more of the client's outstanding equity securities or other ownership interests.

(c) Independence shall be considered to be impaired if during the period of the professional engagement, a shareholder, a member, a partner or professional employee of the firm, his or her immediate family, or any group of such persons acting together owned more than five percent of a client's outstanding equity securities or other ownership interests.

(d) Independence shall be considered to be impaired if, during the period covered by the financial statements, or during the period of the professional engagement, a shareholder, a member, a partner or professional employee of the firm was simultaneously a:

(1) Director, officer, employee, or in any capacity equivalent to that of a member of management of the client;

(2) Promoter, underwriter, or voting trustee of the client; or

(3) Trustee for any pension or profit-sharing trust of the client.

(e) "Covered person" is:

(1) A person on the attest engagement team;

(2) A person in a position to influence the attest engagement;

(3) A partner or manager who provides nonattest services to the attest client beginning once he or she provides 10 hours of nonattest services to the client within any fiscal year and ending on the later of the date:

(A) the firm signs the report on the financial statements for the fiscal year during which those services were provided; or

(B) he or she no longer expects to provide 10 or more hours of nonattest services to the attest client on a recurring basis;

(4) A partner in the office in which the lead attest engagement partner primarily practices in connection with the attest engagement;

(5) The firm, including the firm's employee benefit plans; or

(6) An entity whose operating, financial, or accounting policies can be controlled (as defined by generally accepted accounting principles (GAAP) for consolidation purposes) by any of the individuals or entities described in Paragraphs (a) through (e) of this Rule or by two or more such individuals or entities if they act together;

(f) The impairments of independence listed in this Rule are not intended to be all-inclusive.

### **November 2003 Exam Applications**

Applications for the November 2003 Uniform CPA Examination will be available in mid-June.

To obtain an application, please call the Board's toll-free application line (1-800-211-7930).

Exam applications will also be available from the Board's web site ([www.cpbboard.state.nc.us](http://www.cpbboard.state.nc.us)).

Please note that in North Carolina, the November 2003 Uniform CPA Exam will be administered in Raleigh only.

## Are You Practicing Law?

It has come to the attention of the Board that some North Carolina CPAs have received solicitations to purchase software designed to prepare articles of incorporation and bylaws for their clients.

The Consumer Protection Committee of the North Carolina State Bar has consistently held that it is the practice of law to prepare articles of incorporation, bylaws, and wills.

Although the Committee has affirmed its prior decision that representing a third party before the regular Tax Review Board constitutes the practice of law, the Committee has expressed no opinion regarding the representation

of a third party before the augmented Tax Review Board.

However, the Tax Review Board does permit CPAs to represent their clients before the augmented Tax Review Board.

North Carolina General Statute 93-1, prohibits CPAs from engaging in the practice of law unless duly licensed to do so.

In addition, 21 NCAC 8N .0204 states that CPA shall not act in a way that would cause them to be disciplined by a federal or state agency or board for violation of laws or rules on ethics.

Although CPAs are prohibited from preparing a client's will, there are as-

pects of estate work that a CPA can perform.

For example, CPAs may file the fiduciary, federal estate, and North Carolina inheritance tax returns for an estate although attorneys also provide these services.

However, it is unclear whether filing the initial and ninety-day inventories for an estate with the Clerk of Court is the practice of law.

If you have questions about services you offer or perform that may be considered the practice of law, please contact the Office of Counsel of the North Carolina State Bar by telephone at (919) 828-4620 for information.

### Certificates Issued

At its April 28, 2003, meeting, the Board approved the following applications for certification:

Sean A. Abbott  
Roy Farmer Alley, III  
Annie Elisabeth Allred  
John White Askew, Jr.  
Larry Douglas Bailey, Jr.  
Jacqueline Grubar Baker  
Titus Benjamin Ball  
Christopher Jackson Barbee  
Clare A. Barbieri  
Blair Trotter Barnett  
Shane M. Barton  
Kelly Alene Bivins  
Richard Lee Burdeshaw  
Britt Kyle Byrom  
Joanne Nixon Calhoun  
Erin Elizabeth Campbell  
Nancy Jo Campbell  
Kenneth John Carlson, Jr.  
Jason Dale Carpenter  
Tara Nicole Chambers  
Janet WenShu Chen  
Dena Maria Dail  
Amanda King Davis  
Steven A. Donnay  
Gary M. Dragon  
Roger Ronal Elmer, Jr.  
Jennifer Ellestad Ernteman  
Karen Jean Farley  
Mark Talcott Farrar

Mary Alayne Ferguson  
Steven Joseph Foy  
Jennifer Rebecca Green  
Jonathan Todd Greene  
Sean Thomas Griffin  
Brion Christopher Hambel  
Phillip A. Hammond  
Alicemarie Hand  
Michele Hines Haney  
Apryl Arrants Hathaway  
Eric Jerome Hoefler  
Christopher David Hoh  
Connie Ray Holton  
Robert James Hubbard  
Katie Paige Huneycutt  
Bradley Graham Inman  
Brady Albert Johnson  
Linell Deln Johnson  
William Hunter Josey  
Yusuf Abdi Kheire  
Rosemary A. Lambert  
Olivia Caroline Laney  
Jennifer Elizabeth Lewis  
Laura Livingstain  
Walter Aaron Lockamy  
Leesa Irene Loudin  
Angela Dew Macdougall  
Michelle Lynn Mahl  
J. J. Maier

Karen Martinez  
Robert Sue Mason  
Amy Brown McCorkle  
Luther Reece Medlin, III  
Marvin Robert Miller  
Tamara A. Milliken  
Jennifer Denise Parker-Harden  
Silvia Andrea Pleasants  
Matthew Brian Potter  
Phillip Dean Price  
Robin Michelle Reinhard  
Rosa Lim Rho  
John Matthew Robinson  
Cynthia Marie Rogers  
Joseph Edward Sandner, IV  
Kelly Mitchem Slate  
Betsy E. Smith  
Lindsay Regan Spoelstra  
Melissa Mims Stallings  
Pamela Ann Stow  
Thomas S. Sullivan  
Donna M. Szatkowski-Zych  
Taylor Franklin Teague  
William Clayton Vaughn  
Mary B. Wells  
Jeffrey B. Williams  
Leah Ann Wiseman  
Steven Arnold Zarnosky



## New GASB Statement Aims to Better Inform Public of Risk Disclosures

In an effort to provide the public with better information about the risks that could potentially impact a government's ability to provide services and pay its debts, the Governmental Accounting Standards Board (GASB) has published Statement No. 40, *Deposit and Investment Risk Disclosures*.

An amendment of Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, Statement No. 40 addresses additional risks to which governments are exposed.

The new accounting guidance requires that state and local governments communicate key information about deposit and investment risks, frequently one of the largest assets on a government's balance sheet.

Under Statement No. 40, state and local governments are required to disclose information covering four principal areas:

- Investment credit risk disclosures, including credit quality information issued by rating agencies;
- Interest rate disclosures that include investment maturity information, such as weighted average maturities or specification identification of the securities;
- Interest rate sensitivity for investments that are highly sensitive to changes in interest rates (example, inverse floaters, enhanced variable-rate investments and certain asset-backed securities); and
- Foreign exchange exposures that would indicate the foreign investment's denomination.

The provisions of Statement 40 are effective for financial statements for periods beginning after June 15, 2004, with earlier application encouraged.

Statement 40 (Product Code No. GS40) can be ordered through GASB's Order Department at 1-800-748-0659 or on-line via its web site, [www.gasb.org](http://www.gasb.org).

## Inactive Status

"Inactive," when used to refer to the status of a person, describes one who has requested inactive status and been approved by the Board and who does not use the title "certified public accountant" nor does he or she allow anyone to refer to him or her as a "certified public accountant" and neither he or she nor anyone else refers to him or her in any representation as described in 21 NCAC 8A .0308(b) [21 NCAC 8A .0301(b)(23)].

04/02/03	Mark E. Burling	Chapel Hill, NC
04/02/03	Stefano Rosic	Greensboro, NC
04/07/03	Robert Duene Brown	Clemmons, NC
04/07/03	Bernard Carroll Curtiss	Valdese, NC
04/07/03	Susan Blackwood Graham	Timberlake, NC
04/07/03	Janel Marley Rowland	North Myrtle Beach, SC
04/07/03	Penelope Ann Keadey	Durham, NC
04/07/03	Jennifer Burbank Brock	Hill AFB
04/08/03	Paul J. Cappella	Indian Trail, NC
04/10/03	Robert Keaton Wood	Slovakia
04/11/03	Paul Preston Hinkle, Jr.	Denver, CO
04/11/03	Phoebe R. Patterson	Summerfield, NC
04/11/03	Angela Long Queen	Thompson Station, TN
04/11/03	Donald Geroge Roepke	West Charter, PA
04/11/03	Alan Joseph Minker	Oakland Township, MI
04/15/03	Darwin Charles Broenen	Arlington, VA
04/15/03	Joyce Ann Peck	Raleigh, NC
04/15/03	Janet L. Sodano	Apex, NC
04/15/03	Heather Turner Turton	Atlanta, GA
04/15/03	Christy Parker Fillingame	New Bern, NC
04/15/03	Stanley Zane Yarbrow	Quinton, VA
04/16/03	Catherine Blaisdell Ardrey	Atlanta, GA
04/17/03	James Lester Trogon, Jr.	Randleman, NC
04/17/03	Lisa Parks Galloway	Charlotte, NC
04/22/03	Thomas Carey Moore	Chincoteague, VA
04/24/03	William Barksdale Milstead	Minneapolis, MN
04/24/03	Frances Kay Snipes	Chapel Hill, NC
04/24/03	Cynthia Rena McKinney	Elk Park, NC
04/25/03	Jin Su Park	Charlotte, NC
04/25/03	Joseph William Neal, III	Huntersville, NC
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